

Message Text

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62

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-07 NEA-10 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 PA-01 PRS-01 IO-10 /133 W

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R 091610Z OCT 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 3169

INFO AMEMBASSY ABU DHABI

AMEMEASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: ENRG, AG

SUBJ: ALGERIA FIXES NEW OIL PRICE

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1. SUMMARY: NEW ALGERIAN CRUDE OIL EXPORT PRICE

WILL BE DOLS 12.75 PER BARREL, AN INCREASE OF DOL 1 OR SLIGHTLY LESS THAN MAXIMUM INCREASE SET BY OPEC AT VIENNA. ALGERIAN PRESS SERVICE PREDICTS THAT OTHER (MEDITERRANEAN AND AFRICAN) PRODUCERS, WHOSE OIL WAS UNDERPRICED IN PAST, WILL RAISE OIL PRICES BY MORE THAN \$1.05 END SUMMARY.

2. ALGERIAN PRESS SERVICE DISPATCH OF OCT. 9 ANNOUNCED THAT ALGERIA HAD JUST DECIDED TO RAISE ITS OIL EXPORT PRICE FROM 11.75 TO 12.75 FOLLOWING DECISIONS TAKEN AT RECENT OPEC MEETING IN VIENNA. PRICE WILL BE APPLICABLE TO SALES BEGINNING OCTOBER 1.

3. APS ARTICLE EXPLAINS THAT PRICE RISE RECENTLY DECIDED BY OPEC APPLIED ONLY TO THE MARKER CRUDE. OPEC DECISION RAISED PRICE OF MARKER CRUDE FROM DOLS. 10.46 TO DOLS. 11.51, AN INCREASE OF DOLS 1.05. FOR OILS OTHER THAN SAUDI ARABIAN LIGHT IT WAS NEVER A QUESTION OF 10 PERCENT RISE IN THE TOTAL PRICE IN EFFECT BEFORE OCTOBER 1, APS REPORT STRESSES, BUT MATTER RAISING ONLY THE MARKER OR BASE PRICE.

4. AFTER EXPLAINING DIFFERENTIALS AS THEY AFFECT BASE PRICE, APS REPORT NOTES THAT DIFFERENCES OF OPINION OVER THE LEVEL OF THESE DIFFERENTIALS ON PERSIAN GULF OILS HAVE BEEN VIRTUALLY RESOLVED AND THE PRICE INCREASE FOR THESE OILS WILL BE ON THE ORDER OF DOLS 1 TO 1.05 PER BARREL. INDONESIAN OIL, HOWEVER, WAS OVERPRICED IN THE PAST AND THE INCREASE WILL VERY LIKELY BE LESS THAN DOLS 1. ON THE OTHER HAND, APS REPORT SAYS, THE OPEC MEETING CONSIDERED THE OIL PRODUCED BY SOME OTHER COUNTRIES TO BE UNDERPRICED, AND DECIDED THAT THESE (UNSPECIFIED) COUNTRIES, IN ADDITION TO THE 10 PERCENT PRICE RISE DECIDED BY OPEC, MUST RAISE THEIR PRICES BY MORE THAN DOLS 1.05 "UNDER PENALTY OF EXPOSURE TO SERIOUS REACTION FROM OPEC." THERE IS THUS EVERY REASON TO BELIEVE THAT PRICE INCREASE BY THESE COUNTRIES WILL BE HIGHER THAN DOLS 1.05, APS SAYS.

5. APS ALSO NOTES THAT PRICING OF OIL WITH VARYING LIMITED OFFICIAL USE

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CHARACTERISTICS AND LOCATIONS IS DIFFICULT. THIS IS WHY OPEC ALLOWS CERTAIN FLEXIBILITY OF BETWEEN 10-15 CENTS PER BARREL IN VALUATION OF DIFFERENTIALS.

6. APS CONTINUES THAT ALGERIAN DECISION TO FIX PRICE AT DOLS 12.75 IS PRACTICALLY CONFIRMATION OF PRE-OCTOBER PRICE OF 11.75 (READ CONFIRMATION THAT

11.75 WAS COMPETITIVE PRICE). APS CONCLUDES THAT IT HAS REASON TO BELIEVE THAT SONATRACH'S CLIENTS, WITH WHOM PRICE HAS ALREADY BEEN DISCUSSED, HAVE FOUND THE NEW PRICE "PERFECTLY CORRECT."

7. COMMENT: APS REPORT ATTEMPTS TO WALK NARROW PATH BETWEEN ADMITTING ALGERIAN OIL OVERPRICED IN PAST AND INSISTING THAT OTHER MEDITERRANEAN AND AFRICAN PRODUCERS RAISE THEIR PRICES BY MORE THAN \$1.05 TO CORRECT UNDERPRICING. ALGERIAN OIL HAS IN FACT BEEN OVERPRICED IN RECENT MONTHS IN RELATION LIBYAN AND NIGERIAN CRUDES OF COMPARABLE QUALITY AND SPECIFIC GRAVITY AND ALGERIANS HAVE HAD TO RESORT TO BARTER DEALS TO MOVE CRUDE. DESPITE THIS, ALGERIANS HAVE TAKEN NEARLY ALL OF ALLOWABLE OPEC PRICE RISE, SHAVING OFF ONLY 5 PERCENT OR SO. FUTURE COMPETITIVENESS OF ALGERIAN CRUDE WILL THIS DEPEND ON WHETHER LIBYA, NIGERIAN AND PERHAPS IRAQ FOLLOW THROUGH WITH PRICE INCREASES IN EXCESS OF DOLS 1.05 AS PREDICTED BY ALGERIANS.
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